



Judicial Watch

Because no one is above the law!

December 5, 2001

COPY

VIA CERTIFIED MAIL AND FAX

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U. S. Treasury Department
Disclosure Services
1500 Pennsylvania Avenue, N.W., Room 1054
Washington, DC 20220

Re: Freedom of Information Act Request

Dear Sir/Madam:

Pursuant to the Freedom of Information Act (hereinafter, "FOIA"), 5 U.S.C. 552, and its regulations, we hereby request from the Department of Justice (DOJ), US Treasury Department (Treasury), Department of Commerce (DOC), Securities and Exchange Commission (SEC), Federal Energy Regulatory Commission (FERC), all correspondence, memoranda, documents, reports, records, statements, audits, lists of names, applications, diskettes, letters, expense logs and receipts, calendar or diary logs, facsimile logs, telephone records, call sheets, tape recordings, video recordings, notes, examinations, opinions, folders, files, books, manuals, pamphlets, forms, drawings, charts, photographs, electronic mail, and other documents and things, that refer or relate to the following in any way:

FILED

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02 0064
U.S. DISTRICT COURT
CLERK

1. The bankruptcy of the Enron Corporation.¹
2. All occasions when Enron Corporation Chairman Kenneth Lay visited Department of Justice (DOJ), US Treasury Department, Department of Commerce (DOC), Securities and Exchange Commission (SEC), and/or Federal Energy Regulatory Commission (FERC) from January 21, 1993 to present, to include the stated purposes of the visit and the government officials visited.
3. Enron Corporation reports to the Department of Justice (DOJ), US Treasury Department, Department of Commerce (DOC), Securities and Exchange Commission (SEC), Federal Energy Regulatory Commission (FERC) from January 21, 1993 to present.
4. Political contributions by Kenneth Lay and/or the Enron Corporation to the Democratic Party, including but not limited to, the Democratic National Committee (DNC), Democratic Congressional Campaign Committee (DCCC), Democratic Senatorial Campaign Committee (DSCC), and/or the presidential campaign of former President Bill Clinton and former Vice President Al Gore.
5. Political contributions by Kenneth Lay and/or the Enron Corporation to the Republican Party, including but not limited to, the Republican National Committee (RNC), Republican Congressional Campaign Committee (NRCC), Republican National Senatorial Committee (NRSC), and/or the presidential campaign of President George W. Bush and Vice President Dick Cheney.
6. Political or other contributions by Kenneth Lay and/or the Enron Corporation.
7. All department or commission officers who have financial interests or holdings in the Enron Corporation.
8. All Enron Corporation sponsored parties, receptions, functions, dinners, briefings, presentations, lunches, brunches, breakfasts, meetings, events, and/or fundraisers attended by any official of the Department of Justice (DOJ), US Treasury Department, Department of Commerce (DOC), Securities and Exchange Commission (SEC), and/or Federal Energy Regulatory Commission (FERC).
9. Contributions by Kenneth Lay and/or the Enron Corporation to the presidential library of William Jefferson Clinton.
10. Contributions by Kenneth Lay and/or the Enron Corporation to the 1994 and/or 2000 Missouri Senate campaigns of John Ashcroft.
11. All communication between the White House, Office of the Vice President, and /or Executive Office of the President (EOP) with officers of the Department of Justice (DOJ), US Treasury Department, Department of Commerce (DOC), Securities and Exchange

¹ See Editorial. "Investigating Enron," *The Wall Street Journal*. November 30, 2001.

Commission (SEC), and/or Federal Energy Regulatory Commission (FERC) regarding the investigation of the Enron corporation.

12. The investigation of the Enron Corporation for alleged stock fraud.
13. All communications regarding the decision to investigate the Enron Corporation for alleged stock fraud.
14. All communication between the White House, Office of the Vice President, and /or Executive Office of the President (EOP) with officers of the Department of Justice (DOJ), US Treasury Department, Department of Commerce (DOC), Securities and Exchange Commission (SEC), and/or Federal Energy Regulatory Commission (FERC) regarding the Enron corporation.
15. Kenneth Lay and/or the Enron Corporation and any foreign government, corporation or person.
16. Kenneth Lay and/or the Enron Corporation and the People's Republic of China.
17. Kenneth Lay and/or the Enron Corporation and the Lippo Group.
18. Kenneth Lay and or the Enron Corporation and Li Ka-Shing and/or Cheung Kong Infrastructure Holdings, Hong Kong Electric Holdings, Huskey Energy, and/or John Huang and/or the Lippo Group.
19. All communication between Kenneth Lay and/or the Enron Corporation and former Secretary of Commerce Ron Brown.

Thank you for your expected cooperation in responding to our request in a timely manner, which should be within 10 working days, as required under 31 CFR § 1.5, 28 CFR § 16.5 (b), 15 CFR § 4.6 (b) (1), 10 CFR § 1004.5 and 5 U.S.C. § 552 (a)(6)(E)(ii)(I), because time is of the essence. The American people deserve full and complete disclosure of the matters requested herein, pertaining to the federal governments actions towards the financial collapse of the Enron Corporation, current government investigations of the collapse, and its past and present relationship with high-ranking officials of the United States government. Judicial Watch, through a variety of means and media detailed below and consistent with its legal and public education mission will rapidly and efficiently disseminate the information obtained under FOIA to the American people. In order to accomplish these aims, it is critical that the American people have this request answered in a timely manner.

Pursuant to the FOIA, if any portions of the requested documents are claimed to be privileged, those portions which are not claimed to be privileged should be provided to the

undersigned. This should be done prior to the conclusion of the statutory 20-day period for response. In addition, under the FOIA there is an absolute requirement to produce those segregable portions of documents which are not claimed to be privileged, as well as a list ("Vaughn Index") that indicates by date, author, general subject matter, and claims of privilege(s) those documents, or portions thereof, which have been withheld or not provided. Vaughn v. Rosen, 484 F.2d 820 (D.C. Cir 1973), cert. denied, 415 U.S. 977 (1974); Iglesias v. Central Intelligence Agency, 525 F. Supp. 547 (D.C. 1981); see generally LaRocca v. State Farm Mut. Auto. Ins. Co., 47 F.R.D. 278 (W.D. Pa. 1985).

We note that President Clinton instructed agencies in October, 1993, to ensure compliance with both the spirit as well as the letter of the Act. *See* President Clinton's FOIA Memorandum, U.S. Department of Justice, FOIA Update, Summer/Fall 1993, at 3. In addition, Attorney General Ashcroft issued a FOIA Memorandum on October, 12, 1993, which *inter alia* states "the Department of Justice and this Administration are committed to full compliance with the Freedom of Information Act... It is only through a well-informed citizenry that the leaders of our nation remain accountable to the governed and the American people can be assured that neither fraud nor government waste is concealed." and orders "a presumption of disclosure." *See* Attorney General Ashcroft's FOIA Memorandum, U.S. Department of Justice, FOIA Update, Fall 2000, at p. 1.

Judicial Watch is entitled to a public interest fee waiver for this request. At 5 U.S.C. § 552 (a) (4) (A) (iii), the FOIA sets forth a two prong test to determine whether a fee waiver is appropriate. First, the disclosure must be in the public interest by contributing significantly to the public's understanding of the operations of the government. *Schrecker v. Department of Justice*, 970 F. Supp. 49, 50 (D.D.C. 1997); *Fitzgibbon v. Agency for International Development*, 724 F. Supp. 1048, 1050 (D.D.C. 1989); *Larson v. Central Intelligence Agency*, 843 F.2d 1481, 1483 (D.C. Cir. 1988). Second, the disclosure must not be primarily in the commercial interest of the requester. *Schrecker*, 970 F. Supp. at 50; *Fitzgibbon*, 724 F.2d at 1050; *Larson*, 843 F.2d at 483.

Judicial Watch is a 501 (c) (3) not-for-profit public interest organization. One of its purposes is to provide the public with information which exposes government activities that are contrary to the law. Judicial Watch is, in effect, an educational foundation, as well as a law firm, which uses several mechanisms for the dissemination of the information it acquires, and operates to ensure that this

information will be made available to the public on a daily basis:

- Judicial Watch, as a press entity itself², produces several press releases each week.
- The *Judicial Watch Newsletter* has a monthly circulation of over 300,000 copies nationwide.
- Judicial Watch maintains a website on which people can view copies of, among other things, FOIA documents, press releases, responsive documents, deposition transcripts and court opinions. This website is viewed by over 20,000 people per day on average, and on a few occasions, had logged up to 1,000,000 visitors in a single day.
- Over 60,000 people subscribe to our "Infonet" listserve for daily updates on our lawsuits, FOIA requests, investigations and public education programs.
- Judicial Watch's Chairman has been invited to testify before Congressional committees as an expert witness on legal matters, including, but not limited to the Privacy Act and the Freedom of Information Act.
- Judicial Watch's Chairman and other employees frequently appear on nationally broadcast radio and television programs to provide information, analysis and commentary concerning government corruption and other legal issues.
- Judicial Watch has been credited by Courts, the Congress and various other media outlets on several occasions for uncovering information and documents concerning government corruption, illegal and/or inappropriate activities, and documented instances of government attempts to "stonewall" requests for information and accountability in the public interest.
- Judicial Watch is involved in the production and broadcast of a monthly one hour news and information television program, *Public Disclosure*, fashioned after the long

² See Memorandum and Order, *Judicial Watch, Inc. v. U.S. Department of Justice*, Civil Action No. 00-1396 (JR), Nov. 16, 2000.

running news broadcast *60 Minutes*. *Public Disclosure* is syndicated across the country.

Judicial Watch produces its own twice-weekly television show and daily radio program, both entitled *The Judicial Watch Report*, which air nationwide through syndication on cable television and radio stations, as well as the Internet. *The Judicial Watch Report* 800-station radio show, launched on October 29, 1991, is hosted by broadcast veterans Russ Verney and Jane Chastain. Judicial Watch disseminates information it obtains through these mediums as well.

Judicial Watch hosts and sponsors conferences and rallies as public education forums for the dissemination of the information it acquires. For example, Judicial Watch hosted an Ethics in Government 2000 Conference at the Washington Hilton on October 20-21 2000 and an Ethics in Government 2001 International Conference, "Fighting Corruption, Fostering Freedom," on October 5-6, 2001 in Miami, Florida.

In short, Judicial Watch's efforts to expose government corruption make news on almost a daily basis, and it functions, in part, as a member of the media.

Indeed, there is an unequivocal public interest served by revealing the aforementioned documents. The American people should be made aware of, among other things, reports, investigations, decisions, waivers and findings of fact concerning the present financial collapse of the Enron Corporation and current federal investigations of it. Enron and its CEO, Kenneth Lay, has "donated nearly \$2 million to Mr. [President] Bush's political career, making them Mr. Bush's biggest backers"³ How federal officials are currently treating the collapse and investigations of this major corporation, with great political ties to high-ranking government officials, is of great importance to the American people and all who seek equal treatment under the law. This information is not merely intended to satisfy the curiosity of a few. To be sure, the public is always well served when it knows how government activities, particularly matters touching on legal and ethical

³ Bob Davis. "Enron CEO's Political Connections Run Silent During Company's Crisis," *The Wall Street Journal*. November 29, 2001.

questions, have been conducted. This request is based, in part, on news articles Editorial. "Investigating Enron," *The Wall Street Journal*. November 30, 2001; Bob Davis. "Enron CEO's Political Connections Run Silent During Company's Crisis," *The Wall Street Journal*. November 29, 2001; Dow Jones Newswires. "White House: No Objection to Congress Probe of Enron," November 30, 2001; Michael Schroeder. "US Attorneys Inform Regulators They Want to Monitor Enron Probe", *The Wall Street Journal*. November 30, 2001; Dow Jones Newswires. "Chronology of Enron Corp.'s History," December 2, 2001; Dow Jones Newswires. "Enron Files For Chapter 11 Bankruptcy," December 2, 2001. Copies of which are enclosed with this request.⁴

Thus, we are convinced that the information requested will be meaningfully informative in increasing public of the relationship that government officials have with the Enron Corporation and their attitudes and actions toward its collapse and subsequent investigation. Hence, we submit this request.

Clearly, information that exposes government activity that is contrary to the rule of law will contribute significantly to the public's understanding of the operations and activities of government. In fact, according to the *Office of Management and Budget, Freedom of Information Reform Act of 1986 – Uniform Freedom of Information Act Fee Schedule Guidelines*, § 67(g), this is one of the categories of activity which courts have characterized as in the public interest.

Congress has spoken clearly on this subject by amending FOIA so that it can "be liberally construed in favor of waivers for noncommercial requesters." *McClellan Ecological Seepage Situation*, at 1284 (quoting 132 Cong. Rec. S14298 (Sept.30, 1986)). The main purpose of the amendment, according to Senator Leahy, was to prevent gamesmanship on the part of government agencies i.e., to "remove roadblocks and technicalities which have been used by various Federal agencies to deny waivers or reductions of fees under FOIA." *Id.* (quoting 132 Cong. Rec. S16496, October 15, 1986).

⁴ Editorial. "Investigating Enron," *The Wall Street Journal*. November 30, 2001; Bob Davis. "Enron CEO's Political Connections Run Silent During Company's Crisis," *The Wall Street Journal*. November 29, 2001; DJ Newswires. "White House: No Objection to Congress Probe of Enron," November 30, 2001; Michael Schroeder. "US Attorneys Inform Regulators They Want to Monitor Enron Probe", *The Wall Street Journal*. Nov. 30, 2001. Dow Jones Newswires. "Chronology of Enron Corp.'s History," December 2, 2001; Dow Jones Newswires. "Enron Files For Chapter 11 Bankruptcy," December 2, 2001.

We request expeditious handling and immediate release of the requested information in the public interest.

In accordance with 31 CFR § 1.5, 28 CFR § 16.5 (b), 15 CFR § 4.6 (b) (1), 10 CFR § 1004.5 and 5 U.S.C. § 552 (a)(6)(E)(ii)(I) we submit this request be granted and expedited because the information is urgently needed for dissemination so that the public may be informed about the national security and safety the actual or alleged actions of agencies of the Federal Government.

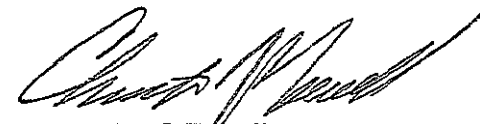
In addition, we find a compelling need for the requested information given that a significant part of our operation involves disseminating information as a legitimate news source. Thus, we assert that the request concerns matters of widespread and exceptional media interests in which there exist possible questions about the government's integrity (to include senior government officials) which effect public confidence.

Judicial Watch certifies that under the provisions outlined in 31 CFR § 1.5, 28 CFR § 16.5 (b), 15 CFR § 4.6 (b) (1), 10 CFR § 1004.5 and 5 U.S.C. § 552 (a)(6)(E)(ii)(I), we have a compelling need for information sought herein.

Release of the information will promote confidence in our Constitutional Republic, and contribute to furthering the integrity of the American national government by deterring and/or sanctioning corrupt activities. The failure to do so will likely result in the further compromise of important interests of the American people.

Sincerely,

JUDICIAL WATCH, INC.



Christopher J. Farrell

CJF/mac

November 30, 2001

Review & Outlook

Investigating Enron

You can cut the Schadenfreude with a machete these days as Enron careens toward failure. Like any fast-rising, innovative business, the energy trader made enemies, some with a fair grievance and some not. We hope the inevitable (and necessary) investigations keep in mind the difference.

Enron was a forthright advocate of competition, as every obituary of the past few days has noted. Some see the firm's collapse as discrediting the market economics it championed, though the opposite is closer to the truth.

It strikes us that Enron was partly a victim of its own success. Its revenues quadrupled in a year, thanks to the fillip that California's troubles provided to the wholesale power market. But profits were up much less -- i.e., Enron was earning thinner margins in the energy-trading business it pioneered. The new industry quickly became too competitive and transparent to afford any windfalls, just as deregulation admirers would have predicted.

Enron does not own U.S. power plants and generally did not seem to make outsized profits on power for resale in, say, California. But that didn't stop California's eccentric attorney general, Bill Lockyer, from blaming Enron CEO Ken Lay for that state's electricity mismanagement. Last summer he told a Wall Street Journal reporter that, "I would love to personally escort Lay to an 8x10 cell that he could share with a tattooed dude who says, 'Hi my name is Spike, honey.'" Consider that an unfair grievance.

Accounting matters are more troubling. The struggle for a century has been to make sure corporate managers don't pursue their own agendas at the expense of owners. The emergence of special partnerships, controlled and owned by Enron's own senior officers, with which the company did some of its murkiest deals, would cause even libertarians to wonder what's been going on. Clearly Mr. Lay didn't fully understand what former Enron CEO Jeffrey Skilling was up to, and shareholders weren't told either.

At the same time, Enron officers had a large amount of personal wealth tied up in Enron stock, which has fallen from \$90 to 61 cents. So the mere existence of these partnership deals does not automatically indicate corrupt intent. Only a detailed investigation can resolve whether these deals were honestly motivated, and whether Enron's (and Arthur Andersen's) interpretation of accounting rules was defensible. In any case, trial lawyers will descend to squeeze every penny out of Enron's troubles for themselves (and for shareholders or employees who held Enron stock in their 401(k)s).

As for the investigations, we hope they won't be influenced one way or another by long connections between Mr. Lay and President Bush. Even the hint of special treatment would be a political disaster, especially for an Administration that promised to clean up after Bill Clinton.

While tradition has been not to make criminal matters out of accounting scandals, exceptions have arisen recently. Federal prosecutors in New York have gone after Walter Forbes, who sold his company to Cendant, giving rise to what before Enron was the nation's most costly stock meltdown due to bad accounting. San Francisco prosecutors recently extracted guilty pleas from executives of Aurora Foods

over their treatment of trade promotion expenses for their portfolio of "orphan" brands as capital expenditures.

Enron is an opportunity for the Bush team to show it can police similar financial chicanery, if some is found. Sorting the capitalists from the crooks is one way of protecting capitalism.

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November 29, 2001

Major Business News**Enron CEO's Political Connections
Run Silent During Company's Crisis****By BOB DAVIS**

Staff Reporter of THE WALL STREET JOURNAL

For years, **Enron** Corp. Chairman Kenneth Lay has been George W. Bush's best friend in the board rooms of America's top corporations.

Since 1993, Mr. Lay and Enron have donated nearly \$2 million to Mr. Bush's political career, making them Mr. Bush's biggest backers. When Mr. Bush was Texas governor, Mr. Lay, a Houston resident, helped him win passage of a state education-reform plan that brought Mr. Bush national acclaim. During that fight, Mr. Lay got to know aides who became power players in the Bush White House.

Mr. Lay was confident enough of his friendship with Mr. Bush that he even needed him for needing arthroscopic surgery to repair a jogging injury. "I want you to know that at least one jogger [me] got past 50 without that surgery," Mr. Lay scribbled in a note to then governor in 1997.

Still, as Enron faces its greatest crisis, Mr. Lay's influence and personal relationships with the administration have amounted to little. There appears to be no effort by the White House or Congress to bail Enron out of its difficulties, which are widely seen as self-inflicted. The White House had no comment on Mr. Lay's predicament, a spokeswoman said. Indeed, short of an actual bailout to help Enron meet its obligations -- such as an aid package approved by Congress or organized by government officials from private sources, similar to the rescue of the Long Term Capital Management hedge fund -- there is little Washington can do at this stage to help the company. Nor is there likely to be a bailout, since Enron has burned many bridges on Capitol Hill with its history of strong-arm lobbying tactics, some congressional aides say.



¹See more coverage
of the rise and fall of
Enron

That may reassure a cynical public, says Robert Mosbacher, Commerce Secretary in the first Bush administration and a longtime friend of the current president as well as Mr. Lay. "I don't see anybody being let off the hook," he said.

Mr. Mosbacher says he introduced Mr. Lay to the Bush family around 1987, when he persuaded Mr. Lay to help raise money for George H.W. Bush's successful presidential bid in 1988. Mr. Lay contributed \$461,000 to the younger Mr. Bush's two successful gubernatorial campaigns. He also made Enron's fleet of corporate jets available to Mr. Bush and won his help in lobbying officials in other states considering Enron projects.

His influence with then-Gov. Bush was based on more than money. Mr. Lay was one of the state's leading business executives and deeply involved in Texas politics. Under Mr. Bush's predecessor, Democrat Ann Richards, Mr. Lay headed the Governor's Business Council, a state advisory board. Mr. Bush asked him to stay on the job to help develop an educational reform plan and sell it to the Texas Legislature.

In that capacity, Mr. Lay became close to several Bush aides, including political guru Karl Rove and communications adviser Karen Hughes, who have taken positions at the White House. He also got to know another leading Texas businessman: Dick Cheney, then CEO of Dallas oil concern **Halliburton Co.**, who would become Mr. Bush's pick for vice president.

Against this backdrop, Mr. Lay was widely considered a top candidate for Treasury Secretary in the younger Bush's administration. Ultimately though, he was disqualified, Bush insiders say, as too closely identified with Mr. Bush, Mr. Cheney and others who worked in the Texas energy business for an administration that wanted to show it wasn't in the pocket of big oil companies.

Early on, Mr. Lay had unrivaled access to the administration. When the president's advisers debated a new energy policy in the spring, Mr. Lay was the only energy executive to be invited for a one-on-one session with Mr. Cheney, who led the effort. Mr. Lay also worked with Mr. Rove and others to successfully push for appointments to the Federal Energy Regulatory Commission, which oversees much of Enron's business.

As Enron's problems multiplied and its fortunes plummeted, however, the White House was silent. During a several-hour long interview in the spring, Mr. Lay mused that his Bush connections could boomerang someday. "It could hurt, from the standpoint that, at some point, they lean in the other direction to make sure they don't face criticism," he said.

Write to Bob Davis at bob.davis@wsj.com²

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November 30, 2001

Dow Jones Newswires

White House: No Objection To Congress Probe Of Enron

Dow Jones Newswires

WASHINGTON -- The Bush administration Friday said it had no objection to calls in Congress to launch hearings into the collapse of Enron and said such a move is well within Congress's jurisdiction in providing oversight.

"The president understands that at all times Congress should exercise its proper oversight role and that includes anything, in a case like this...an investigation into the collapse of a company," White House spokesman Ari Fleischer said.

Fleischer said that other parts of the federal government have already launched their own investigations and the Treasury Department is monitoring these.

-By Alex Keto, Dow Jones Newswires; 202-862-9256; Alex.Keto@dowjones.com

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November 30, 2001**Major Business News****U.S. Attorneys Inform Regulators
They Want to Monitor Enron Probe**

By **MICHAEL SCHROEDER**
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON -- Federal prosecutors in two states have told the Securities and Exchange Commission that they are interested in monitoring the agency's investigation into possible accounting fraud at **Enron** Corp., as a possible precursor to a separate criminal probe, according to a person with knowledge of the situation.

Meanwhile, members of Congress announced new inquiries into the company's activities.

Enron stock's spectacular plunge the past few weeks has attracted the interest of officials in New York and Texas, including the U.S. attorneys' offices in Manhattan and Houston, this person said. Spokesmen for the U.S. attorneys' offices declined to comment.

In late October, Enron disclosed that the SEC had undertaken a formal investigation into the Houston energy company's financial dealings with partnerships headed by its former chief financial officer, Andrew Fastow.

A formal investigation involves the SEC's enforcement branch going to the five-member commission and obtaining formal subpoena power to pursue its inquiry. A person familiar with the SEC probe said the agency felt it needed subpoena power to compel the release of information by parties that have done business with Enron.

Enron's stock price has collapsed from about \$60 a share early in the year to under \$1 amid financial restatements due to improper accounting and a failed merger with crosstown rival **Dynegy** Inc. Shareholder and Enron employee retirement account values have been devastated by the meltdown. Criminal authorities are interested to learn if the SEC finds that malfeasance contributed to the share-price declines.

In 4 p.m. composite trading Thursday on the New York Stock Exchange, Enron was at 36 cents, down 25 cents, or 41%.

If a criminal probe were undertaken, it would be handled by one office, mostly likely in Houston, Enron's hometown. But federal prosecutors in Manhattan, who have experience in securities-fraud cases, could assert jurisdiction because Enron's stock trades on the New York Stock Exchange.

Early this year, Enron came under attack from California politicians and regulators for profiting from spiking energy prices in that state.

One reason authorities haven't begun their own investigations is the fear that a criminal probe might cause witnesses "to clam up," said the person with knowledge of the situation.

Enron officials have said they are cooperating fully with the SEC, which has only been investigating Enron for about five weeks and hasn't had enough time to assess possible liability of Enron executives. SEC civil allegations could lead to fines and sanctions.

SEC Chairman Harvey Pitt, who has taken some heat for some policies viewed being too soft on business, has made the Enron investigation a top priority to show he will be a tough enforcer. In remarks Thursday to the Consumer Federation of America, Mr. Pitt said promised a thorough and swift probe of Enron. The SEC has a team of a half-dozen enforcement attorneys and accountants working the case.

Gregory Bruch, a former SEC enforcement attorney who has litigated complicated accounting fraud investigations, said Enron's involvement with partnerships and extensive energy derivatives trading likely would take a year for the SEC unravel. He said the SEC would have to "cut corners" to bring a case more quickly, meaning the regulator would name fewer defendants than it might in a broader, more time-consuming case.

On Capitol Hill, the House Energy and Commerce Committee said it would investigate Enron's accounting practices and Senate Commerce Committee announced it would assess the impact on U.S. natural gas and electricity markets.

Write to Michael Schroeder at mike.schroeder@wsj.com¹

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Sponsored By:



December 2, 2001

Dow Jones Newswires

Chronology Of Enron Corp.'s History

HOUSTON (AP)--A look at the history of Enron Corp. (ENE):

July 1985 -Houston Natural Gas merges with InterNorth, a natural gas company based in Omaha, Neb., to form the modern-day Enron, an interstate and intrastate natural gas pipeline company with approximately 37,000 miles of pipe.

1989 -Enron begins trading natural gas commodities. Over the years, the company becomes the largest natural gas merchant in North America and the United Kingdom.

June 1994 -Enron North America trades its first electron. Enron goes on to become the largest marketer of electricity in the U.S.

August 1997 -Enron announces its first commodity transaction using weather derivative products. Enron goes on to market coal, pulp, paper, plastics, metals and bandwidth.

April 1999 -Enron agrees to pay \$100 million over 30 years for the naming rights to Houston's new ballpark, Enron Field. The Astros also sign a 30-year facilities management contract Enron Energy Services.

November 1999 -Enron launches EnronOnline, the first global Web-based commodity trading site.

December 2000 -Enron announces that president and chief operating officer Jeffrey Skilling will take over as chief executive in February. Kenneth Lay will remain as chairman. Shares hit 52-week high of \$84.87 on Dec. 28.

August 2001 -Skilling resigns after running the company for just six months; Lay becomes CEO again.

October 16, 2001 -Enron reports a \$638 million third-quarter loss and discloses a \$1.2 billion reduction in shareholder equity, partly related to partnerships run by chief financial officer Andrew Fastow.

Oct. 22, 2001 -Enron acknowledges Securities and Exchange Commission inquiry into a possible conflict of interest related to the company's dealings with those partnerships.

Oct. 24, 2001 -Enron ousts Fastow.

Oct. 31, 2001 -Enron announces the SEC inquiry has been upgraded to a formal investigation. Enron creates special committee headed by University of Texas law school dean William Powers to respond to the investigation.

Nov. 6, 2001 -Enron's stock price drops below \$10 a share after reports the financially troubled energy trader was seeking additional financing to shore up confidence.

Nov. 8, 2001 -Enron files documents with SEC revising its financial statements for past five years to account for \$586 million in losses.

Nov. 9, 2001 -Dynegy Inc.(DYN) announces an agreement to buy its much larger rival Enron for more than \$8 billion in stock.

Nov. 14, 2001 -Enron announces it is trying to raise an additional \$500 million to \$1 billion in new private equity to shore up customer and market confidence.

Nov. 19, 2001 -Enron restates its third-quarter earnings and discloses it is trying to restructure a \$690 million obligation that could come due Nov. 27.

Nov. 20, 2001 -Concerns about Enron's ability to weather its spiraling financial problems send the company's stock down nearly 23% to its lowest level in nearly 10 years. Officials from both Enron and Dynegy say the merger was not in trouble.

Nov. 21, 2001 -Enron reaches critical agreement to extend \$690 million debt payment.

Nov. 26, 2001 -Enron shares fall another 15% as investors continued to doubt that the deal will completed. Shares finish day at \$4.01.

Nov. 28, 2001 -Dynegy backs out of deal after Enron's credit rating is downgraded to junk bond status; analysts say a bankruptcy filing is likely. Enron shares plunge below \$1 amid the heaviest single-day trading volume ever for a NYSE or Nasdaq-listed stock.

Dec. 2, 2001 -Enron files for Chapter 11 bankruptcy protection; sues Dynegy for wrongful termination of merger.

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December 2, 2001

Dow Jones Newswires

Enron Files For Chapter 11 Bankruptcy

HOUSTON, Dec. 2 /PRNewswire/ -- Enron Corp. (NYSE: ENE) announced today that it along with certain of its subsidiaries have filed voluntary petitions for Chapter 11 reorganization with the U.S. Bankruptcy Court for the Southern District of New York. As part of the reorganization process, Enron also filed suit against Dynegy Inc. (NYSE: DYN) in the same court, alleging breach of contract in connection with Dynegy's wrongful termination of its proposed merger with Enron and seeking damages of at least \$10 billion. Enron's lawsuit also seeks the court's declaration that Dynegy is not entitled to exercise its option to acquire an Enron subsidiary that indirectly owns Northern Natural Gas Pipeline. Proceeds from the lawsuit would benefit Enron's creditors.

In a related development aimed at preserving value in its North American wholesale energy trading business, Enron said that it is in active discussions with various leading financial institutions to provide credit support for, recapitalize and revitalize that business under a new ownership structure. It is anticipated that Enron would provide the new entity with traders, back office capabilities and technology from Enron's North American wholesale energy business, and that the new entity would conduct counterparty transactions through EnronOnline, the company's existing energy trading platform. Any such arrangement would be subject to the approval of the Bankruptcy Court.

In connection with the company's Chapter 11 filings, Enron is in active discussions with leading financial institutions for debtor-in-possession (DIP) financing and expects to complete these discussions shortly. Upon the completion and court approval of these arrangements, the new funding will be available immediately on an interim basis to supplement Enron's existing capital and help the company fulfill obligations associated with operating its business, including its employee payroll and payments to vendors for goods and services provided on or after today's filing.

Filings for Chapter 11 reorganization have been made for a total of 14 affiliated entities, including Enron Corp.; Enron North America Corp., the company's wholesale energy trading business; Enron Energy Services, the company's retail energy marketing operations; Enron Transportation Services, the holding company for Enron's pipeline operations; Enron Broadband Services, the company's bandwidth trading operation; and Enron Metals & Commodity Corp.

Enron-related entities not included in the Chapter 11 filing are not affected by the filing. These non-filing entities include Northern Natural Gas Pipeline, Transwestern Pipeline, Florida Gas Transmission, EOTT, Portland General Electric and numerous other Enron international entities.

To conserve capital, Enron will implement a comprehensive cost-saving program that will include substantial workforce reductions. These workforce reductions primarily will affect the company's

operations in Houston, where Enron currently employs approximately 7,500 people. In addition, the company will continue its accelerated program to divest or wind down non-core assets and operations. Details of the units to be affected will be communicated shortly.

The Dynegy Lawsuit

In its lawsuit filed today in U.S. Bankruptcy Court in New York, Enron alleges, among other things, that Dynegy breached its Merger Agreement with Enron by terminating the agreement when it had no contractual right to do so; and that Dynegy has no right to exercise its option to acquire the entity that indirectly owns the Northern Natural Gas pipeline because that option can only be triggered by a valid termination of the Merger Agreement.

The Chapter 11 Filings

In conjunction with today's petitions for Chapter 11 reorganization, Enron will ask the Bankruptcy Court to consider a variety of "first day motions" to support its employees, vendors, trading counterparties, customers and other constituents. These include motions seeking court permission to continue payments for employee payroll and health benefits; obtain interim financing authority and maintain cash management programs; and retain legal, financial and other professionals to support the company's reorganization actions. In accordance with applicable law and court orders, vendors and suppliers who provided goods or services to Enron Corp. or the subsidiaries that have filed for Chapter 11 protection before today's filing may have pre-petition claims, which will be frozen pending court authorization of payment or consummation of a plan of reorganization.

The Wholesale Energy Trading Business

The discussions currently underway with various leading financial institutions are aimed at obtaining credit support for, recapitalizing and revitalizing Enron's North American wholesale energy trading operations under a new ownership structure in which Enron would continue to have a significant ownership interest.

"If these discussions are successful, they could result in the creation of a new trading entity with a strong and unencumbered balance sheet, the industry's finest trading team, and its leading technology platform, all backed by one or more of the world's leading financial institutions," said Greg Whalley, Enron president and chief operating officer. "We understand that it may take time for counterparties to resume normal trading levels with this entity, but we are confident that this business can be put back on a solid footing. Obviously, our potential partners share our confidence or they would not be at the table with us. We intend to take steps to retain employees who are key to the future success of our wholesale energy trading business and to regain the support and confidence of its trading counterparties."

Comment by Ken Lay

"From an operational standpoint, our energy businesses-including our pipelines and utilities-are conducting normal operations and will continue to do so," said Kenneth L. Lay, chairman and CEO of Enron. "While uncertainty during the past few weeks has severely impacted the market's confidence in Enron and its trading operations, we are taking the steps announced today to help preserve capital, stabilize our businesses, restore the confidence of our trading counterparties, and enhance our ability to pay our creditors." Enron's principal legal advisor with regard to the proposed merger with Dynegy, Enron's Chapter 11 filings, the Dynegy lawsuit, and related matters is Weil, Gotshal & Manges LLP. Enron's principal financial advisor with regard to its financial restructuring is The Blackstone Group.

About Enron Corp.

Enron Corp. markets electricity and natural gas, delivers energy and other physical commodities, and provides financial and risk management services to customers around the world. Enron's Internet address is www.enron.com.

Forward-looking Statements

This press release contains statements that are forward-looking within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and that actual results could differ materially as a result of known and unknown risks and uncertainties, including: various regulatory issues, the outcome of the Chapter 11 process, the outcome of the discussions referred to above, general economic conditions, future trends, and other risks, uncertainties and factors disclosed in the Company's most recent reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission. SOURCE Enron Corp.

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/Web site: <http://www.enron.com> /

(ENE DYN)

NEW YORK -- Enron Corp. (ENE) announced Sunday that it and some of its subsidiaries have filed voluntary petitions for Chapter 11 reorganization with the U.S. Bankruptcy Court for the Southern District of New York.

The company said that it had also filed suit against Dynegy Inc. (DYN) in the same court, alleging breach of contract in connection with Dynegy's wrongful termination of its proposed merger with Enron and seeking damages of at least \$10 billion.

Enron's lawsuit also seeks the court's declaration that Dynegy is not entitled to exercise its option to acquire an Enron subsidiary that indirectly owns Northern Natural Gas Pipeline.

Enron said the proceeds from the lawsuit would benefit its creditors.

Enron said that it is in "active discussions" with financial institutions to recapitalize and provide credit support for its North American energy trading business under a new ownership structure.

Enron said in a statement that "it is anticipated" that the company would provide the new entity with traders, back office capabilities and technology. The new entity would conduct counterparty transactions through EnronOnline, the company's existing energy trading platform. Any such arrangement would be subject to the approval of the Bankruptcy Court, Enron said in the statement.

To conserve capital, Enron will implement a comprehensive cost-saving program that will include substantial workforce reductions.

These cuts will primarily affect the company's operations in Houston, where Enron currently employs approximately 7,500 people.

In addition, the company will continue its accelerated program to divest or wind down non-core assets and operations.

Details of the units to be affected will be communicated shortly, the company said in its statement.

Enron said Chapter 11 filings were made for 14 affiliated entities, including Enron Corp.; Enron North America Corp., the company's wholesale energy trading business; Enron Energy Services, the retail energy marketing business; Enron Transportation Services, the holding company for Enron's pipeline operations; Enron Broadband Services, a bandwidth trading operation; and Enron Metals & Commodity Corp.

Enron-related entities not included in the bankruptcy filing are not affected by the filing, Enron said. These non-filing entities include Northern Natural Gas Pipeline, Transwestern Pipeline, Florida Gas Transmission, EOTT, Portland General Electric and numerous other Enron international entities.

Enron said that "from an operational standpoint, our energy businesses-including our pipelines and utilities-are conducting normal operations and will continue to do so."

The company said that although "uncertainty during the past few weeks has severely impacted the market's confidence in Enron and its trading operations," Enron intends to "help preserve capital, stabilize our businesses, restore the confidence of our trading counterparties, and enhance our ability to pay our creditors."

In connection with Enron's Chapter 11 filings, the company is in "active discussions with leading financial institutions" for debtor-in-possession financing and expects to complete these discussions shortly.

Upon the completion and court approval of these arrangements, the new funding will be available immediately on an interim basis to supplement Enron's existing capital and help fulfill obligations including payroll and payments to vendors, Enron said.

Enron will ask the bankruptcy court to consider a variety of "first day motions" to support its employees, vendors, trading counterparties, customers and other constituents. These include motions seeking permission to continue payments for employee payroll and health benefits; obtain interim financing authority and maintain cash management programs; and retain legal, financial and other professionals.

The company said its legal adviser for the lawsuit and proposed merger with Dynegy and Enron's Chapter 11 filing is Weil Gotshal & Manges LLP. Enron's principal financial adviser for its financial restructuring is The Blackstone Group.

Enron, which hopes to have a "significant ownership interest" in the proposed new entity that owns its North American wholesale energy trading operations, said "we understand that it may take time for counterparties to resume normal trading levels with this entity, but we are confident that this business can be put back on a solid footing."

Dynegy terminated its plan to acquire Enron on Wednesday after credit-rating agencies downgraded a major portion of Enron's debt to "junk" status. Enron's energy trading ground almost to a halt because trading partners became worried about Enron's finances.

Bankers involved in Enron's restructuring discussions estimate that liabilities total \$40 billion, including

\$13 billion in debt on its balance sheet, The Wall Street Journal reported.

Enron shares closed Friday at 26 cents, down 10 cents. The stock reached as high as \$90 little over a year ago.

Company Web site: <http://www.enron.com>

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